

Message Text

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SUBJ: TURKISH FY 1975 BUDGET PRESENTED TO PARLIAMENT

REF CERP 0201

1. SUMMARY. TURKISH FY 1975 BUDGET WAS PRESENTED TO PARLIAMENT NOVEMBER 30 CALLING FOR EXPENDITURES OF \$7.75 BILLION, AN INCREASE OF 28 PERCENT OVER BUDGET APPROVED FOR TFY 1974. BUDGET IS DESCRIBED AS STABILITY BUDGET TO MEET NEEDS OF DEVELOPMENT AND ECONOMIC STABILITY. SPECIFIC DETAILS REGARDING RECEIPTS AND EXPENDITURES HAVE NOT YET BEEN RELEASED. HOWEVER, PROPOSED EXPENDITURES ON DEFENSE WILL BE 54 PERCENT HIGHER THAN DEFENSE EXPENDITURES APPROVED IN TFY 1974 BUDGET. THE INCREASE WILL BE LESS WHEN ACTUAL DEFENSE EXPENDITURES DURING TFY 1974 ARE MADE KNOWN AND TAKEN INTO ACCOUNT. END SUMMARY.

2. THE CONSOLIDATED CENTRAL GOVT PROPOSED BUDGET FOR TURKISH FISCAL YEAR 1975 (MARCH 1, 1975 - FEB 29, 1976) WAS UNCLASSIFIED

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PRESENTED TO PARLIAMENT ON NOV 30. TOTAL EXPENDITURES UNDER

BUDGET ARE ESTIMATED AT TL 107.8 BILLION (US \$7.75 BILLION), AN INCREASE OF 28 PERCENT OVER APPROVED BUDGET EXPENDITURES FOR TFY 1974 (WHICH WAS TL 83.1 BILLION).

3. THE PROPOSED BUDGET ESTIMATES REVENUE AT TL 99.4 BILLION (US \$7.17 BILLION), AN INCREASE OF 28.9 PERCENT OVER TFY 1974 (TL 77.1 BILLION). OF THE TOTAL REVENUE TL 88.6 BILLION WILL BE GENERATED THROUGH TAXES, TL 6.7 BILLION THROUGH NORMAL REVENUE OTHER THAN TAXES, AND TL 4.1 BILLION THROUGH SPECIAL REVENUE AND FUNDS, INCLUDING NET RECEIPTS OF THE ANNEXED BUDGETS. THE GAP OF TL 8.0 BILLION BETWEEN PROPOSED EXPENDITURES AND ESTIMATED RECEIPTS WILL BE COVERED THROUGH DOMESTIC BORROWING.

4. IN A SUBSEQUENT PRESS CONFERENCE, MINISTER OF FINANCE GURSOY DESCRIBED OTHER HIGHLIGHTS OF THE TFY 1975 BUDGET. HE SAID IT REPRESENTS AN INCREASE OF 25 PERCENT IN CURRENT EXPENDITURES, 33 PERCENT IN INVESTMENTS, 19 PERCENT IN SPECIAL DEFENSE INVESTMENTS, AND 29 PERCENT IN TRANSFER EXPENDITURES. THE MINISTER ALSO NOTED THAT THE NEW BUDGET REPRESENTS AN INCREASE OF 54 PERCENT IN DEFENSE EXPENDITURES, AND 22 PERCENT IN GENDARMERIE EXPENDITURES. THESE WERE DESCRIBED AS ATTRIBUTABLE TO "PRESENT CIRCUMSTANCES" BUT NOT OTHERWISE EXPLAINED.

5. STATE ECONOMIC ENTERPRISES WOULD REQUIRE TL 30.8 BILLION FOR THEIR INVESTMENTS IN 1975. OF THIS SUM, TL 9 BILLION ONLY WILL BE ALLOCATED FROM THE TFY 1975 BUDGET WHILE TL 17 BILLION OF THE BALANCE WILL BE RAISED BY THE STATE INVESTMENT BANK AND TL 4 BILLION THROUGH FOREIGN PROJECT LOANS.

6. ONE OF THE MOST SIGNIFICANT ASPECTS OF THE NEW BUDGET IS THE ESTABLISHMENT OF A NUMBER OF SPECIAL-PURPOSE FUNDS UNDER THE MINISTRY OF FINANCE BUDGET. THESE ARE INTENDED TO ALLOW GREATER FLEXIBILITY IN EXPENDITURES FOR DESIGNATED PURPOSES AND THUS TO PERMIT A GREATER DEGREE OF ACCOMPLISHMENT OF OBJECTIVES. THE NEW FUNDS ARE REPORTED TO BE: "INVESTMENT ACCELERATION FUND", "FUND TO COUNTER IMPORTANT PRICE INCREASES", "FUND TO COVER EXPENSES UNDER THE STATE PERSONNEL LAW", "RESERVE PAYMENT FUND" AND "FUND FOR CHANNELLING SMALL SAVINGS TO INVESTMENTS".

7. SALARIES FOR CIVIL SERVANTS ARE TO BE INCREASED BY 14 PERCENT
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(FROM A COEFFICIENT OF EIGHT TO ONE OF NINE ON THE SALARY SCALE. VARIOUS ALLOWANCES ARE ALSO TO BE INCREASED. AN APPROPRIATION OF TL 75 MILLION HAS BEEN SET ASIDE FOR POSSIBLE ELECTIONS IN 1975. FOUR BILLION LIRA ARE SET ASIDE FOR CONSTRUCTION OF TURKISH SECTION OF IRAQ-TURKEY PETROLEUM PIPELINE SCHEDULED FOR COMPLETION IN 1977.

8. COMMENTS: RECENTLY INSTALLED GOVT OF PRIME MINISTER IRMAK MET DEADLINE ESTABLISHED UNDER CONSTITUTION FOR PRESENTATION OF

BUDGET TO PARLIAMENT BY NOVEMBER 30. MINISTER OF FINANCE GURSOY DESCRIBED BUDGET AS A STABILITY BUDGET AIMED AN ENSURING SOCIAL AND ECONOMIC SECURITY, ECONOMIC DEVELOPMENT, AND ECONOMIC STABILITY. HE EMPHASIZED THAT INCREASES IN APPROPRIATIONS FOR GENERAL ADMINISTRATIVE PURPOSES HAD BEEN HELD TO A MINIMUM.

DETAILS SHOWING A BREAKDOWN OF EXPENDITURES BY FUNCTION (OR MINISTRIES) OR SOURCES OF REVENUES HAVE NOT YET BEEN MADE PUBLIC. A FURTHER REPORT WILL BE SUBMITTED WHEN BUDGET BILL DOCUMENTS ARE MADE AVAILABLE.

THE NATURE OF PRESENT CARETAKER IRMAK "TECHNICIAN" GOVERNMENT PRESENTS A CONSTITUTIONAL PROBLEM WITH RESPECT TO PARLIAMENTARY JOINT BUDGETARY COMMISSION THAT IS TO CONSIDER THE BUDGET BILL. JOINT COMMISSION THAT IS TO CONSIDER THE BUDGET BILL. JOINT COMMISSION CONSISTS OF 50 MEMBERS INCLUDING REPS OF BOTH HOUSES OF PARLIAMENT. AT LEAST 30 OF MEMBERS MUST BE FROM PARTY OR PARTIES OF THE GOVT IN POWER. THIS LATTER CONDITION IS IMPOSSIBLE TO FULFILL IN CASE OF IRMAK GOVT, SINCE ONLY PARTY SUPPORTING IT HAS JUST 13 SEATS IN LOWER HOUSE. PARLIAMENT PLANS TO CONSIDER THIS PROBLEM LATER THIS WEEK. (ONE SOLUTION THAT HAS BEEN PROPOSED IS TO INCLUDE REPRESENTATION OF THE JOINT COMMISSION OF ALL PARTIES, INsofar AS HOUSE).

PROPOSED TFY 1975 BUDGETARY EXPENDITURES ARE 28 PERCENT OVER EXPENDITURES PROPOSED UNDER TFY 1974 BUDGET. THE INCREASE OVER ACTUAL TFY 1974 EXPENDITURES WOULD BE LESS. IT IS EXPECTED THAT A SUPPLEMENTARY AUTHORIZATION FOR TFY 1974 EXPENDITURES WILL BE REQUIRED BY THE END OF THE YEAR. THIS WILL BE REQUIRED TO MEET ADDITIONAL OUTLAYS REQUIRED IN SUPPORT OF MILITARY OPERATIONS AND SOME ADMINISTRATIVE ACTIVITIES IN CYPRUS AS WELL AS GENERALLY INCREASED COSTS IN OTHER PROGRAMS. EXACT AMOUNT THAT WILL BE UNCLASSIFIED

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REQUIRED IS NOT KNOWN, BUT IS VARIOUSLY ESTIMATED AT BETWEEN 10 AND 15 BILLION TL. INCREASE OF BUDGETARY EXPENDITURES BY 28 PERCENT FOR TFY 1975 SHOULD ALSO BE VIEWED IN PERSPECTIVE OF SHARPLY RISING PRICES AND COSTS IN TURKEY, I.E., CURRENT PRICE INDICES SHOW GAIN OF APPROXIMATELY 25 PERCENT DURING PAST YEAR. MACOMBER

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